

<p><b>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO</b> 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p><b>AUTOMOTIVE SERVICES INC,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>JEFFERSON COUNTY BOARD OF EQUALIZATION.</b></p>	<p><b>Docket No.: 63615</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on September 23, 2014, Gregg Near and Sondra W. Mercier presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Rebecca Klymkowsky, Esq. Petitioner is protesting the 2013 actual value of the subject property.

The parties stipulated to Petitioner’s Exhibits 1 and 2 and Respondent’s Exhibit A. The parties also agreed to the expert witness qualification of Mr. Todd Stevens and Ms. Darla Jaramillo.

Subject property is described as follows:

**801 Denver West CO Mills Boulevard  
Golden, Colorado  
Jefferson County Schedule No. 407069**

The subject is a franchised automotive dealership that was built in 1989. The property includes a 17,620 square foot showroom, a 17,412 square foot service area, and an additional 5,273 square foot mezzanine storage area. An addition of 2,844 square feet of showroom space was constructed in 1999. The building is situated on a 4.953 acre site (215,753 square feet), just west of the Colorado Mills Mall.

Petitioner is requesting an actual value of \$2,350,000 for the subject property for tax year 2013. Respondent assigned a value of \$3,660,000 for the subject property for tax year 2013.

Petitioner presented the following indicators of value:

Market:	\$2,369,340
Cost:	\$2,374,798
Income:	Not applied

Mr. Olona, attorney representing Petitioner, called Mr. Todd Stevens of Stevens & Associates Cost Reduction Specialists, Inc. as Petitioner's first and only witness. Mr. Stevens presented a Limited Summary Consulting Assignment that included five comparable building sales; however, Sale 1 was eliminated at hearing based on a date of sale beyond the allowed base period. Although Sale 2 also sold outside the base period, it was reportedly under contract during the base period.

The remaining four sales ranged in sale price from \$58.53 to \$99.01 per square foot and in size from 25,141 to 46,389 square feet. Mr. Stevens based his analysis on a subject building size of 39,489 square feet and a 1989 year of completion. After adjustments were made, the sales ranged from \$49.75 to \$89.11 per square foot. Mr. Stevens concluded to a value of \$60.00 per square foot to indicate a value of \$2,369,340 based on the market approach.

Petitioner presented a cost approach to derive a value for the subject property of \$2,374,798. Mr. Stevens presented four land sales, one of which (Sale 1) was eliminated at hearing as being outside the base period. The remaining sales indicated an adjusted value of \$4.05 to \$9.31 per square foot. All three sales occurred within the base period, with the most recent sale transacting in June 2012. Mr. Stevens incorrectly utilized a site size of 641,029 square feet for the subject, effecting the adjustment to the comparable sales for land size. However, Mr. Stevens ultimately concluded to a land value of \$1,543,000 based on the current value applied by Jefferson County, equal to a per square foot value of \$7.15.

Mr. Stevens used *Marshall Valuation Service* data to determine a replacement cost new for the improvements. In his analysis, the subject was classified as auto showroom, service garage and mezzanine storage space, with a total building size of 40,325 square feet. After calculation of the appropriate costs for the various building components, Mr. Stevens applied physical depreciation of 33% to the 2,844 square foot addition, and 58% to the remainder of the building. This resulted in a replacement cost of \$1,275,433. Mr. Stevens then applied a 25% adjustment for economic obsolescence, deducting \$318,858. Petitioner contends that the building suffers from functional obsolescence, as the service area is inadequate for effective operation of the building. An additional 15% or \$191,315 was deducted for functional obsolescence. With the additional of depreciated site improvements of \$66,538 and land value of \$1,543,000, the cost approach indicated a value of \$2,374,798.

Respondent presented the following indicators of value:

Market:	Not applied
Cost:	\$6,529,000
Income:	Not applied

Respondent presented an Appraisal Report that concluded to a value for the subject property of \$6,529,000. Ms. Klymkowsky presented her first and only witness, Ms. Darla Jaramillo, a Certified General Appraiser with the Jefferson County Assessor's Office. Ms. Jaramillo considered all three approaches to value, but determined that only the cost approach was relevant in the valuation of the subject.

The witness presented six land sales that occurred between July 2008 and December 2011, within an extended base period. Prior to adjustment, the sales indicate a range in price of \$12.84 to \$18.95 per square foot and in size from 144,284 to 653,400 square feet. In addition to Jefferson County sales, Ms. Jaramillo included land sales from Douglas County and Arapahoe County. After adjustment, the sales indicated a range of \$12.30 to \$21.79 per square foot. A value of \$15.50 was placed on the subject land equal to \$3,344,172.

Ms. Jaramillo also used *Marshall Valuation Service* data to determine the replacement cost new of the improvements. Ms. Jaramillo categorized the subject as showroom area and auto service center. An upward adjustment of 10% was applied for developer's profit and entrepreneurial incentive. Respondent's witness testified that the subject had been updated since construction, and, applying an effective completion date of 1999, calculated physical depreciation as 16%. With the addition of depreciated yard improvements, total depreciated replacement cost was estimated at \$3,185,149. With the addition of land value, the cost approach produced a value of \$6,529,321.

Respondent assigned an actual value of \$3,660,000 to the subject property for tax year 2013.

The values indicated by the parties at the hearing varied significantly, from \$2,369,340 to \$6,529,321. The Board found the documentation and testimony of both witnesses to contain conflicting evidence and errors in analysis that left little for the Board to rely on.

Mr. Stevens presented both the cost and market approaches. The Board gives little reliance to Petitioner's market approach, as seller distress was indicated for the four applicable sales used.

Consideration could be given to Petitioner's land sales used in the cost approach, as all three were in the immediate area of the subject, offered equal or similar zoning and use, and transacted during the base period. However, the Board noted at hearing that Mr. Stevens relied on an incorrect land size for the subject, which led to incorrect size adjustments for the comparable sales; correction would likely result in a higher per square foot land value.

Petitioner provided strong support from *Marshall Valuation Service* to indicate that the subject building should be categorized as showroom space, service garage, and mezzanine storage area. Although the building sales presented by Petitioner might suggest that economic obsolescence is present in the market, Mr. Stevens did not provide adequate analysis to support the significant amount of adjustment.

Petitioner contends that the subject suffers from functional obsolescence due to the small service garage area. The operator is reportedly using the adjacent dealership for repair and parking.

While some form of adjustment may be reasonable, no support was given to the percentage amount or the application of this adjustment to the entire building.

Respondent relied solely on the cost approach in the valuation of the subject. The Board found Respondent's land sales to be dated, and was not convinced that sales from other parts of the metro area were applicable in the case of the subject. Some consideration should have been given by Respondent to the sales located near the subject that occurred well within the base period. The Board also rejects Respondent's classification of the service garage and mezzanine storage area as an auto service center, which resulted in an inflated value in the cost approach. Historical building permit information from Petitioner showed that updates to the building had been limited. There was inadequate support for Respondent's contention that building permits had been pulled and that the effective age should be adjusted to 1999. Respondent's addition of developer's profit (also known as entrepreneurial incentive) was not supported as automotive dealerships are typically owner occupied and not given a profit incentive to the owner-developer. Further, when economic obsolescence is present, developer's profit is absent.

Based on the Board's analysis, Petitioner's value was found to be significantly understated based on incorrect adjustment for land value and unsupported adjustments for functional and economic obsolescence. Further, Respondent's concluded appraised value equally overstated the value of the subject due to an inflated land value, classification of the service garage and mezzanine storage space as an auto service center, and inclusion of a 10% upward adjustment for entrepreneurial profit.

After careful consideration of the testimony and exhibits presented at the hearing, the Board concludes that Petitioner presented insufficient probative evidence and testimony to prove that the tax year 2013 valuation of the subject property was incorrect. In fact, neither party provided persuasive evidence in documentation or testimony to support their conclusion of value. The Board defers to the value established at the CBOE level, \$3,660,000.

**ORDER:**

The petition is denied.

**APPEAL:**

If the decision of the Board is against Petitioner, Petitioner may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-nine days after the date of the service of the final order entered).

If the decision of the Board is against Respondent, Respondent, upon the recommendation of the Board that it either is a matter of statewide concern or has resulted in a significant decrease in the

total valuation of the respondent county, may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-nine days after the date of the service of the final order entered).

In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

Section 39-8-108(2), C.R.S.

**DATED and MAILED** this 13th day of October, 2014.

**BOARD OF ASSESSMENT APPEALS**

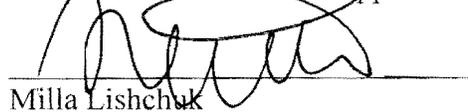


Gregg Near



Sondra Mercier

I hereby certify that this is a true and correct copy of the decision of the Board of Assessment Appeals.

  
Milla Lishchuk